

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

TRADE POLICY STAFF COMMITTEE

CERTAIN STEEL PRODUCTS

INVESTIGATION NO. TA-201-73

EXCLUSION REQUEST

ON BEHALF OF

BHP STEEL (AIS) PTY, LTD., BHP STEEL (JLA) PTY, LTD.,

BHP NEW ZEALAND STEEL LIMITED

AND

BHP STEEL AMERICAS, INC.

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I. INTRODUCTION

On behalf of BHP Steel (AIS) PTY, Ltd., BHP Steel (JLA) PTY, Ltd., BHP New Zealand Steel Ltd., and BHP Steel Americas, Inc. (collectively "BHP"), we request exclusion of the hot-rolled sheet imported by Steelscape, Inc. from any import relief ordered by the President in the Section 201 investigation of *Certain Steel Products*. In accordance with the guidelines established by the Office of the United States Trade Representative¹, we submit the following information in support of our exclusion request.

II. PRODUCT INFORMATION

A. Commercial Name and HTS Numbers

1. **Commercial Name:** Hot-rolled sheet in coil.
2. **HTS Classification:** 7208.39.0030.

B. Physical Description of Product

We request exclusion of hot rolled sheet in coil, not pickled, not oiled, less than 0.12 inch (3.0 mm) in thickness, less than 55 inches wide, in coils of greater than 1,000 PIW (pounds per inch of width), with a maximum flatness deviation measured as not to exceed 2.5% steepness ratio (defined as height over the wave length), imported into the Port of Kalama, Washington.

C. Basis for Exclusion

1. **Statutory Basis for Exclusion**

The statutory framework governing Escape Clause investigations requires the President to balance the economic welfare of the country with that of the affected industry in determining appropriate remedial action in response to an affirmative injury finding by the International

¹ See 66 Fed. Reg. 54,321, 54,322-23 (Oct. 26, 2001).

Trade Commission. Section 203(a) of the Trade Act of 1974 states that, upon receiving the Commission's report, the President shall take "all appropriate and feasible action within his power which the President determines will facilitate efforts by the domestic industry to make a positive adjustment to import competition *and provide greater economic and social benefits than costs.*"² Among other things, the President must consider "the short- and long-term economic and social costs of the actions authorized . . . relative to their short- and long-term social benefits and other considerations relative to the position of the domestic industry in the United States economy."³ The President must also consider "other factors related to the national economic interest of the United States, including, but not limited to . . . the effect of the implementation of actions . . . on consumers and on competition in domestic markets."⁴ Ultimately, the cumulative impact of any import restrictions imposed may not "exceed the amount necessary to prevent or remedy the serious injury" found.⁵

Where there is inadequate domestic production of a product consumed in the United States, restricting imports of the product will harm domestic consumers without providing any concomitant benefit to the domestic steel industry. Domestic production that is inadequate to meet consumption needs is therefore a proper ground for excluding a product from import relief.

2. Factual Basis for Exclusion

Hot rolled sheet in coils imported by Steelscape should be excluded from any import relief imposed by the President because Steelscape is unable to find an American mill able and willing to produce the light gauge coils to the flatness required by Steelscape's Kalama cold-rolling facility.

² 19 U.S.C. § 2253(a)(1) (emphasis added).

³ *Id.* § 2253(a)(2)(E).

⁴ *Id.* § 2253(a)(2)(F)(ii).

⁵ *Id.* § 2253(e)(2).

BHP built and operated two steel mills on the West Coast. The first, in Rancho Cucamonga, California, produces zinc-aluminum coated steel sheet and prepainted zinc-aluminum steel sheet. The second, in Kalama, Washington, produces galvanized steel sheet and prepainted galvanized steel sheet. Both mills are now owned by Grupo IMSA and operated by Steelscape, Inc., a Grupo IMSA company.

The Kalama facility supplies cold-rolled full hard coils to the Rancho Cucamonga facility, and Kalama uses them for its own production. To make the cold-rolled full hard coils, the Kalama cold-rolling facility uses the hot-rolled feedstock defined in this exclusion request (*see Part II.B supra*). Designed to use imported hot-rolled coils, the facility was built on the Port of Kalama, with a dock exclusively for its use. The plant has a single-stand cold-reversing mill, in contrast to a tandem mill, which typically has five or six reducing stands.⁶ Because of the single stand, the reversing mill requires a thin/light gauge hot coil input to reduce the number of passes, and the rolling time. Otherwise, the productivity of the reversing mill would be too low.

Preceding Kalama's cold rolling step is the pickling operation. The light gauge of the feedstock coils creates a problem for pickling. Light gauge coil has a less flat surface than heavier gauge coil. Steelscape's Kalama facility uses a push/pull pickling line that requires greater flatness than the continuous pickling line commonly used with a high volume tandem cold-rolling mill. A continuous pickling line pulls a strip of hot-rolled coil at high strip tension. Poor surface flatness does not affect the pickling. By contrast, a push/pull line is a low tension line pushing the strip through. The lighter gauge coil must have greater flatness to insure proper pickling.

⁶ A reversing mill is designed to produce 400-500 thousand tons annually; a tandem mill would produce 1-2 million tons annually.

The necessary flatness for the lighter gauge can be achieved by "skin passing" the coil (also referred to as temper rolling -- a light reduction in thickness using a temper mill). Most American mills do not have the needed capacity for skin passing because they are producing their hot rolled coils to run on tandem cold rolling mills. Asian mills, by contrast, skin pass hot rolled coils regularly and therefore have the capacity to skin pass the light gauge hot-rolled coils that Steelscape needs.

Because many American mills cannot or will not produce light gauge hot-rolled coils to the necessary flatness through "skin passing," Steelscape must retain access to imports of these hot-rolled coils. Accordingly, they should be excluded from any import relief ordered by the President in this investigation.

D. Names and Locations of Foreign and Domestic Producers

1. **Foreign Producers:** BHP (Australia and New Zealand), Cockerill (Belgium), China Steel (China), Thyssen Steel (Germany), Kawasaki Steel (Japan), Nippon Steel Corp. (Japan), Yieh Loong (Taiwan), Ssi Steel (Thailand), Ergeli (Turkey).
2. **Domestic Producers:** Bethlehem Steel Corp., California Steel Industries, Duferco-Farrell, Geneva Steel Co., LTV Steel Co., Nucor Corp., Steel Dynamics.

E. Total Consumption by Steelscape⁷

Actual Consumption

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>Jan-June 2000</u>	<u>Jan-June 2001</u>
Quantity (ST)		[41,227	193,081	358,242	465,134	228,245	254,029]
Value (\$000)		[13,427	60,442	116,102	124,700]	not available	not available

⁷ Consumption data (actual and projected) reported in this public version have been summarized by ranging (+/- 10%).

Projected Consumption⁸

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Quantity (ST)		[523,200	473,200	583,300	540,500]

F. Total U.S. Production

Unknown.

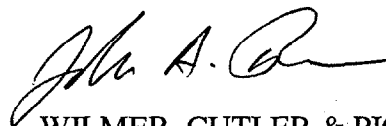
G. U.S. Produced Substitutes

None. Steelscape's Kalama facility uses a push/pull pickling line that requires the light gauge hot-rolled coil to have greater flatness than the continuous pickling line commonly used with a high volume tandem cold-rolling mill.

III. CONCLUSION

Because imports provide Steelscape with an important source of light gauge hot-rolled coils that have been "skin passed" to create the necessary flatness, they should be excluded from any import relief ordered by the President in this investigation.

Respectfully Submitted,



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⁸ Projected consumption is based on Steelscape's anticipated consumption needs at its Kalama facility.